



Bendzinski & Co.
MUNICIPAL FINANCE ADVISORS
A MICHIGAN FIRM, WORKING FOR MICHIGAN.



VILLAGE OF ONTONAGON

Water Fund Rate Study Report

January 29, 2026

2026

January 29, 2026

Village of Ontonagon
315 Quartz Street
Ontonagon, MI 49953

Subject: Village of Ontonagon (Michigan) Water Fund – Rate Study

Dear Village of Ontonagon:

It has been a pleasure working with you on this analysis of your Water Fund. A rate study is not a historical document, but rather it should be used as living reference for current and future budgeting and decision-making. Bendzinski & Co. is available to discuss the study at any point in the future.

This study is performed on the “cash basis” of ratemaking, as described in the American Water Works Association (“AWWA”) M1 Manual of Rate Making Practices. It is also performed with Michigan standards and case laws (specifically Bolt v. Lansing) in mind. The rates and charges must reflect the customer base being served, and much be “regulatory in nature” and not “revenue generating”. As such, the rate study found in these pages is unique to your community. The goal of every rate study we perform is to develop a rate structure and revenues that meet the needs of operations, maintenance, and capital improvements of the system, while also being economical and equitable to the customers.

By acceptance of this study, the Village Council understands and accepts the responsibility and liability for potential challenges to the rate structure and management of the funds. Rate studies, while often based on various methods, industry guidelines and case laws, do not follow a clear Michigan law. In addition, state law and case laws do not provide any comprehensive guidance regarding methodologies, required rate structures or management of fund balance requirements. Bendzinski & Co. is relying on Village officials, and other sources, who have access to relevant data to provide accurate information. The Village accepts that fund management and rate adjustment recommendations are inherently subject to estimations and projections and, as such, no assurance is provided regarding the actual performance of the funds over time. The Village is advised to seek legal counsel regarding the implementation of any recommendations as to the required legal processes, resolutions and/or ordinances needed.

Thank you very much for the opportunity to help with this endeavor. Do not hesitate to reach out if you would like to further discuss the analysis or findings.

Sincerely,



Andy Campbell, CPA
Registered Municipal Advisor

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Executive Summary

1.1 Community Background

The Village of Ontonagon (the “Village”) is located in Ontonagon County, Michigan. It is 3.86 square miles and has a population of approximately 1,285 (2020 Census). The Village owns and operates the Ontonagon Regional Water System, which covers over 15,000 acres and provides service to the Village of Ontonagon, White Pine CDP, Carp Lake Township, and Silver City. Raw water is drawn from Lake Superior through an intake tunnel at the mouth of the Big Iron River and pumped to the water treatment plant, where it undergoes multiple treatment processes. The treated water then flows into the clearwell storage tank and is ready to be distributed to customers.

Source: Village of Ontonagon.

1.2 Discussion and Analysis

Operating & Maintenance Expenses

The Village is not insulated from the inflationary pressures happening. Healthcare, various supplies and materials, utilities and professional services costs have risen significantly in the past few years.

User Growth

The Village is not currently estimating significant future growth in the customer base on the system.

Current & Prospective Debt Payments

The Water Fund currently contributes to one bond issue. It is at a favorable interest rate compared to current market interest rates.

The Village anticipates applying to the U.S. Department of Agriculture Rural Utilities (USDA) program for the Silver City Pump Station and the 36-inch Water Main Replacement projects. The Village has been unsuccessful in securing funding for water projects through the Michigan Department of Environment, Great Lakes, and Energy (EGLE). The USDA program also offers low-interest, 40-year financing for water infrastructure projects serving rural communities with populations of 10,000 or fewer.

User Rates

With the upcoming projects and inflationary pressures, we recommend annual increases for each scenario.

Scenarios

Scenario one includes a project estimate of \$4,500,000 for the replacement of Silver City Pump Station and scenario two estimates a project cost of \$3,500,000. These scenarios are presented to give the council an estimate of rate management to prepare for this upcoming large project.

Information and Assumptions

A significant effort has been made by the Village to gather needed background information related to current revenues and expenses, as well as helping with our forecast of future revenues and expenses. Also, the community has put significant effort in developing a capital improvement plan to maintain and improve the system. The rate study is a four-step process: 1) historical comparison with audits and budgets, 2) test year, or normalized budget year, along with inflation assumptions for purposes of forecasting, 3) proof of rate to revenue for reliance on customer data, and 4) cash flow forecast including revenues, operating expenses, and cash reserves. The analysis is a “cash basis” approach as described in the AWWA M1 Manual of Rate Making Practices.

Key Information Provided

- Audited comprehensive annual financial statements for FYE 2022, FYE 2023, and FYE 2024.
- Actual Revenue and Expenditure Report for FYE 2024 and FYE 2025, provided by the Village.
- Budgeted Revenue and Expenditure Report for FYE 2026, provided by the Village.
- Water Fund cash balance as of March 31, 2025, provided by the Village.

Key Assumptions

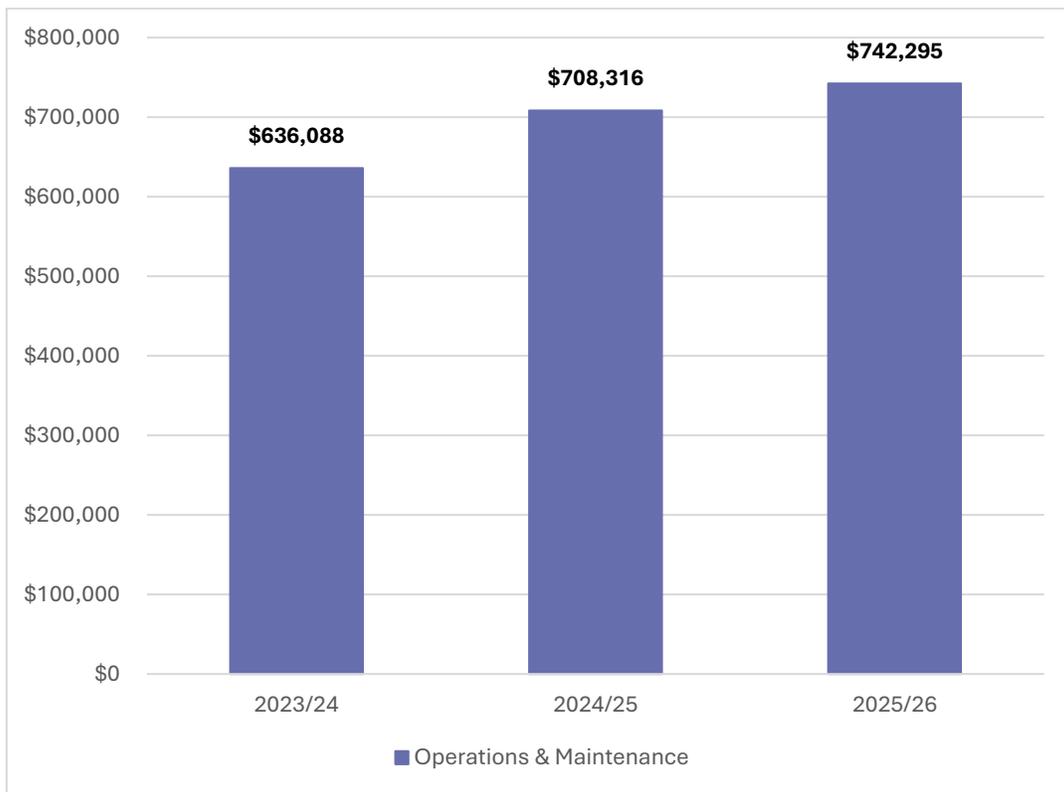
- User rates should not only cover operating expenses, but also support future system maintenance, capital improvements, and debt service payments.
- The Village will follow AWWA guidelines.
- The budgeted amount for other revenue in FYE 2026 will be consistent in future years.
- No new major customers will be connecting to the system.
- The Village will obtain USDA RU financing.

Operations & Maintenance Expenses

2.1 Historical Operations & Maintenance (“O&M”) Expenses

Historical O&M expenses are examined to identify trends and any outlier expenses. Operating and maintenance expenses have increased over the last few years, primarily due to inflation, and are expected to continue increasing in the foreseeable future. For a detailed breakdown of O&M expenses, please refer to Appendix A.

TABLE 2-1: EXPENSE HISTORY & CURRENT BUDGET



2.2 Test Year

A test year is a normalized year used as a baseline for forecasting future operations and maintenance expenses. Historical actuals are reviewed to identify trends, outliers, or one-time expenses. Concerns about specific line-item expenses are discussed with Village officials to establish what these costs would typically be in a normal year. Adjustments are then made to these line items to better reflect a normalized year, which is used as the basis for forecasting future years.

2.3 Inflation Assumptions

After establishing the test year, it is important to recognize that the test year is only a normalized year, and those normalized expense assumptions will change over time. The subsequent step involves adjusting the test year expenses to account for annual inflation. Given that expenses are unlikely to remain constant over the forecast period, this adjustment reflects anticipated cost increases over time. The table below outlines the inflationary assumptions applied in the report.

TABLE 2-3: INFLATION ASSUMPTIONS

| Category | Inflation Assumption |
|----------------------|----------------------|
| Compensation | 3.0% |
| Benefits | 3.0% |
| Operating | 3.0% |
| Utilities | 5.0% |
| Contractual Services | 3.0% |

Debt Service

3.1 Debt Limitation

The Village is subject to the State of Michigan debt limitation of 10% State Equalized Value (SEV), however, Act 94 of 1933 allows communities to issue bonds secured by the revenues of the system and because the security is system revenues (as opposed to the Village’s taxing ability) these bonds do not count towards the debt limit. Since the Water Fund can issue bonds under Act 94 of 1933, the 10% of the SEV debt limit is not a concern related to the Water Fund utilizing debt to finance projects.

3.2 Debt Service Coverage

The Village currently does have outstanding debt which contains covenants requiring the Village to maintain rates and charges to satisfy such a debt service coverage ratio. If USDA RU bond issues are obtained, that would also contain covenants requiring the Village to maintain rates and charges to satisfy a 100% debt service coverage ratio. This is an additional important aspect as to why inflationary rate increases are needed. The Village must maintain compliance with these rate covenants and bring in enough revenues to cover operations, maintenance and all debt payments.

3.3 Current Debt Service

The Village currently only has one bond issue that the Water Fund contributes to. This issue matures on October 1, 2033. The complete debt service schedule is included in Appendix B of this report.

TABLE 3-3: WATER FUND SCHEDULE OF CURRENT DEBT SERVICE

| Year | 2004 SRF Bond |
|--------------|--------------------|
| 2025/26 | \$304,382 |
| 2026/27 | 298,963 |
| 2027/28 | 293,545 |
| 2028/29 | 288,126 |
| 2029/30 | 287,707 |
| 2030/31 | 282,182 |
| 2031/32 | 276,657 |
| 2032/33 | 271,132 |
| 2033/34 | 269,469 |
| 2034/35 | - |
| Total | \$2,572,163 |

Capital Improvement Plan

4.1 Capital Improvement Plan (CIP)

Capital improvements are larger, one-time expenses that are separate from ongoing operations and maintenance expenses. It is beneficial to plan for these potential costs in advance and develop a detailed capital improvement plan. OHM Advisors have been contracted to develop a capital improvement plan extending through the end of fiscal year 2044.

Scenario one includes project estimate of \$4,500,000 for the replacement of Silver City pump station while scenario two estimates \$3,500,000. Appendix C & D provide a detailed breakdown of the capital improvement plans until 2044.

SCENARIO 1: TABLE 4-1: CAPITAL IMPROVEMENT PLAN SUMMARY

| Year | Cash-Funded Capital Improvements | Debt-Funded Capital Improvements |
|--------------|----------------------------------|----------------------------------|
| 2025/26 | - | - |
| 2026/27 | - | - |
| 2027/28 | - | - |
| 2028/29 | \$115,763 | \$7,524,563 |
| 2029/30 | - | - |
| 2030/31 | - | 8,614,901 |
| 2031/32 | - | - |
| 2032/33 | - | - |
| 2033/34 | - | - |
| 2034/35 | - | - |
| Total | \$115,763 | \$16,139,463 |

SCENARIO 2: TABLE 4-2: CAPITAL IMPROVEMENT PLAN SUMMARY

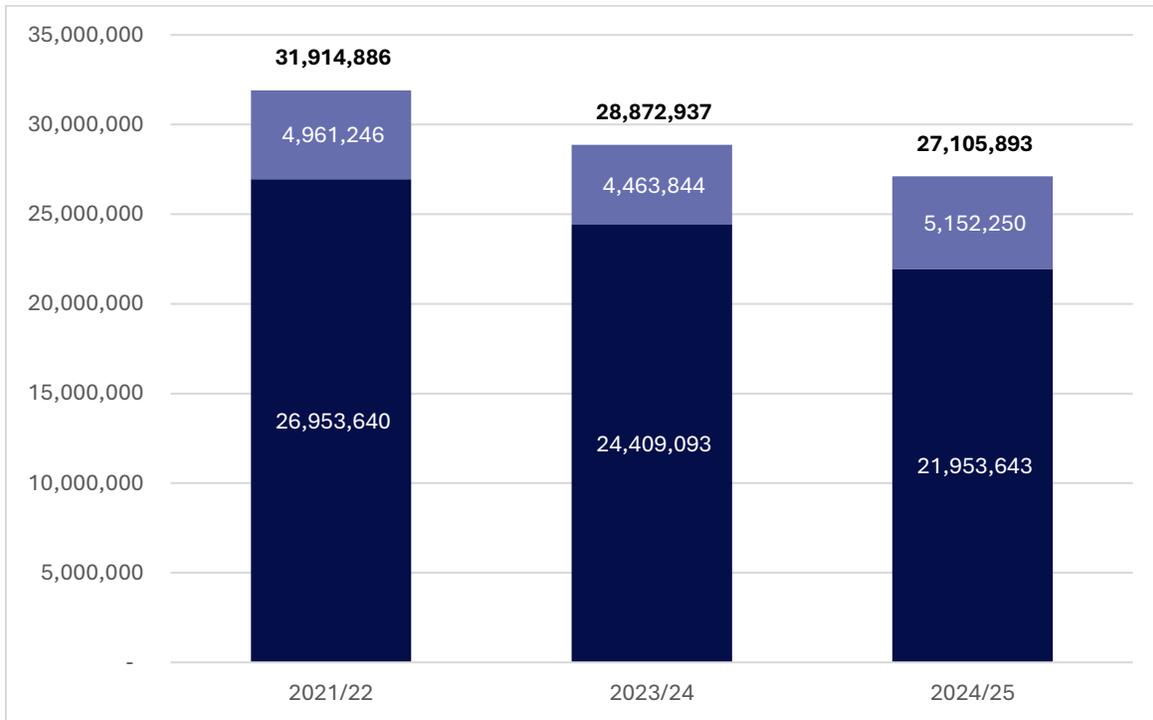
| Year | Cash-Funded Capital Improvements | Debt-Funded Capital Improvements |
|--------------|----------------------------------|----------------------------------|
| 2025/26 | - | - |
| 2026/27 | - | - |
| 2027/28 | - | - |
| 2028/29 | \$115,763 | \$6,366,938 |
| 2029/30 | - | - |
| 2030/31 | - | 8,614,901 |
| 2031/32 | - | - |
| 2032/33 | - | - |
| 2033/34 | - | - |
| 2034/35 | - | - |
| Total | \$115,763 | \$14,981,838 |

Revenues & Cash Flow

5.1 Usage & Customers

Over the last three years, the Village has experienced fairly steady usage levels, with slight variability. Usage is projected to remain consistent in the coming years. The graph below shows the total water billed usage for the system. Note: Data was not available for fiscal year 2022/23.

TABLE 5-1A: WATER GALLONS BILLED



The Village serves 1,436 customer accounts. The table below shows the breakout of customers by community.

TABLE 5-1B: CUSTOMER COUNTS BY COMMUNITY

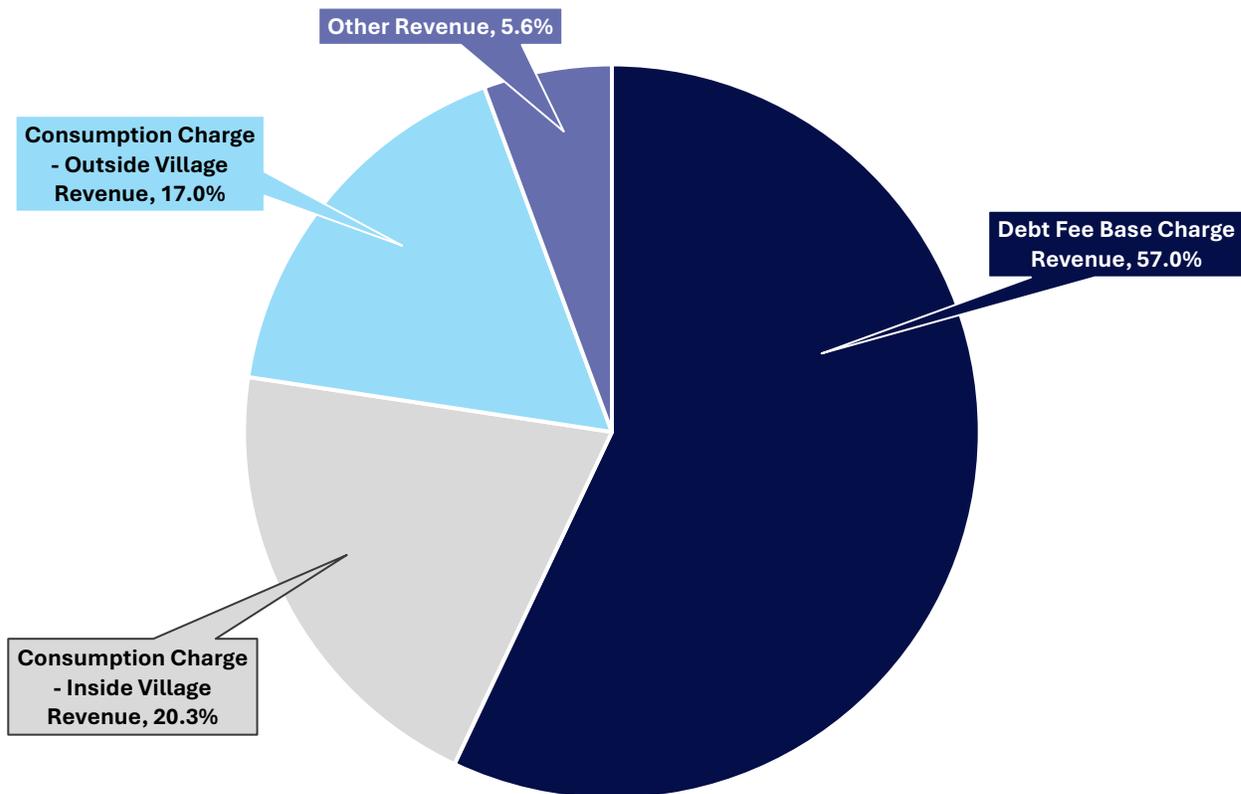
| Community | Number of Customers |
|--------------------------|---------------------|
| Village | 860 |
| Township | 222 |
| White Pine | 354 |
| Total Meter Count | 1,436 |

5.2 Revenue

The Village’s user rates consist of a monthly debt base charge and a consumption rate for its residents. Consumption charges are based on usage and are typically seen as the most equitable way to allocate costs to customers. Since these charges are based on the number of gallons used by the customers, they can have more variation and risk to the system. Since there are still fixed costs the system needs to cover regardless of the number of gallons used, a debt base charge is billed.

Along with the revenue from user rates, the Village is conservatively projecting about \$59,650 in other revenue in fiscal year 2025/26, and about \$15,000 annually thereafter. This revenue is not generated from user rates and primarily comes from connections, interest income, and water testing fees. The forecast assumes these additional revenue sources will remain stable in the future. The chart below demonstrates how much revenue is derived from each charge.

TABLE 5-2: REVENUE BY USER RATE CATEGORY



5.3 Current Rates (FY 2025/26)

The current rate structure adheres to common industry practices, consisting of a two-part rate structure that is comprised of a readiness-to-serve charge based on meter size and a consumption-based rate calculated according to the total water usage during the billing period. The table below displays the current monthly readiness-to-serve charge for water based on the customer’s meter size, as well as the consumption charge (per 1,000 gallons) charged to all customers.

TABLE 5-3: CURRENT MONTHLY CHARGES

| Metered | Charge |
|--|---------|
| Debt Charge (per user) | \$35.00 |
| Village Consumption Charge (per 1,000 gal.) | 10.00 |
| Township Consumption Charge (per 1,000 gal.) | 15.00 |
| White Pine Consumption Charge (per 1,000 gal.) | 15.00 |

5.4 Proposed Rates

The revenue needs to support operations and maintenance costs, debt payments, and future capital improvements while maintaining an adequate cash reserve. It is determined that consistent annual rate increases are the most effective approach for rate management.

Scenario One: Table 5-4A demonstrates annual inflationary increases of 5.00% to all rates beginning April 1, 2026, and April 1, 2027, followed by increases of \$11.50 to the debt base charge and \$3.00 to the inside village consumption charge beginning April 1, 2028.

SCENARIO ONE: TABLE 5-4A: PROPOSED RATE CHANGES

| Adjustment | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 |
|---|---------|---------|---------|---------|---------|
| Debt Charge (per user) | \$36.75 | \$38.59 | \$50.09 | \$52.59 | \$55.22 |
| Consumption Charge (per 1,000 gal.) [1] | 10.50 | 11.03 | 14.03 | 14.73 | 15.46 |

| Adjustment | 2031/32 | 2032/33 | 2033/34 | 2034/35 |
|---|---------|---------|---------|---------|
| Debt Charge (per user) | \$62.72 | \$65.86 | \$69.15 | \$72.61 |
| Consumption Charge (per 1,000 gal.) [1] | 17.46 | 18.34 | 19.25 | 20.22 |

[1] This table only reflects the consumption charge for inside the village customers. See Appendix G for all user rates.

The Village bills customers monthly. With the above proposed rates, the table below outlines estimates of a typical Village homeowner’s monthly bill based on 4,000 gallons of usage.

SCENARIO ONE: TABLE 5-4B: TYPICAL HOMEOWNER’S TOTAL MONTHLY BILL

| Homeowner Type | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 |
|----------------|---------|---------|----------|----------|----------|
| Metered [1] | \$78.75 | \$82.69 | \$106.19 | \$111.50 | \$117.07 |

| Homeowner Type | 2031/32 | 2032/33 | 2033/34 | 2034/35 |
|----------------|----------|----------|----------|----------|
| Metered [1] | \$132.57 | \$139.20 | \$146.16 | \$153.47 |

[1] Assumes Village consumption rate & 4,000 gallons/month.

Scenario Two: Table 5-4C demonstrates annual inflationary increases of 5.00% to all rates beginning April 1, 2026, and April 1, 2027, followed by increases of \$9.50 to the debt base charge and \$2.75 to the inside village consumption charge beginning April 1, 2028.

SCENARIO TWO: TABLE 5-4C: PROPOSED RATE CHANGES

| Adjustment | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 |
|-------------------------------------|---------|---------|---------|---------|---------|
| Debt Charge (per user) | \$36.75 | \$38.59 | \$48.09 | \$50.49 | \$53.02 |
| Consumption Charge (per 1,000 gal.) | 10.50 | 11.03 | 13.78 | 14.46 | 15.19 |

| Adjustment | 2031/32 | 2032/33 | 2033/34 | 2034/35 |
|-------------------------------------|---------|---------|---------|---------|
| Debt Charge (per user) | \$60.52 | \$63.54 | \$66.72 | \$70.06 |
| Consumption Charge (per 1,000 gal.) | 17.19 | 18.05 | 18.95 | 19.90 |

[1] This table only reflects the consumption charge for inside the village customers. See Appendix H for all user rates.

The Village bills customers monthly. With the above proposed rates, the table below outlines estimates of a typical Village homeowner’s monthly bill based on 4,000 gallons of usage.

SCENARIO TWO: TABLE 5-4D: TYPICAL HOMEOWNER’S TOTAL MONTHLY BILL

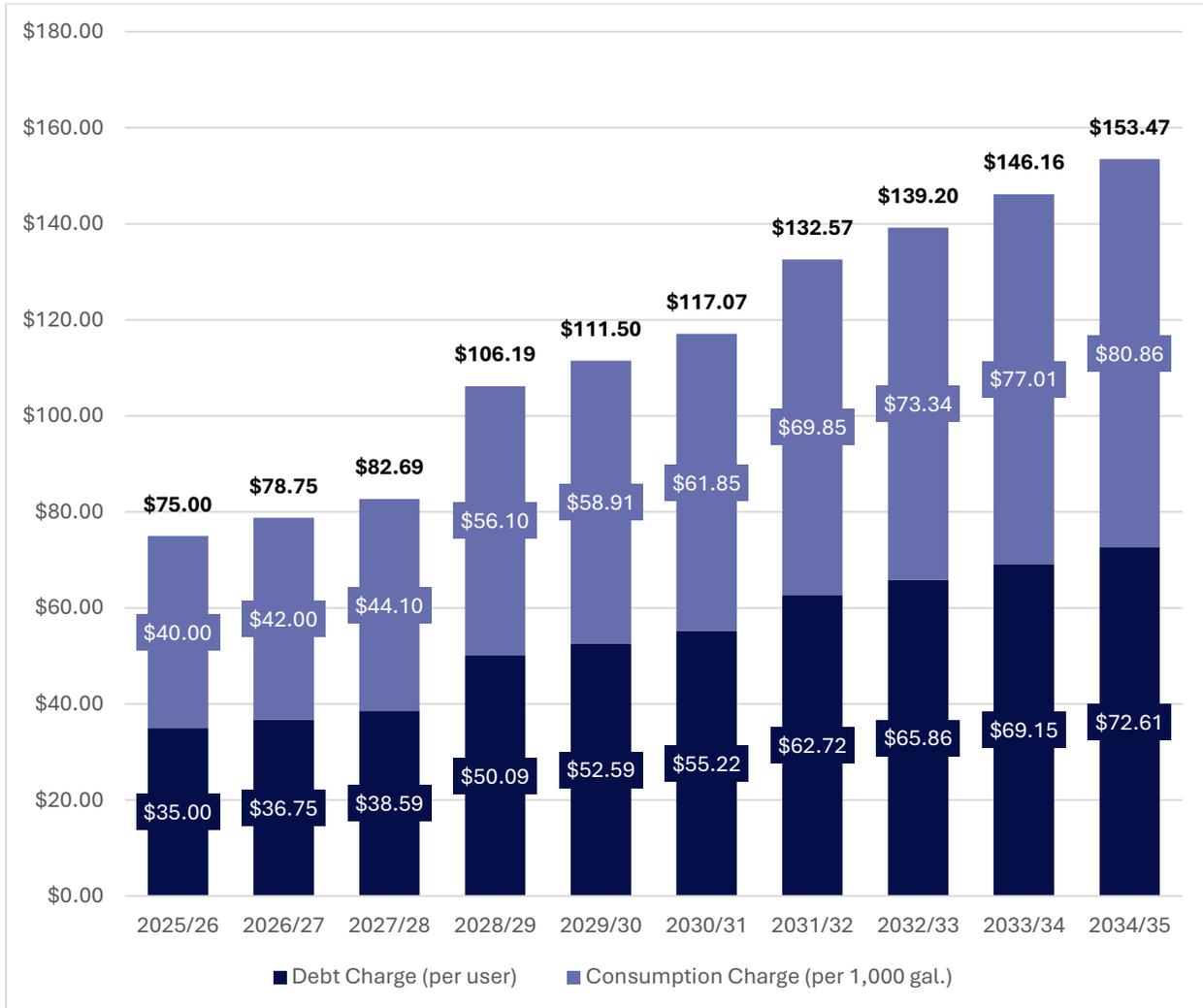
| Homeowner Type | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 |
|----------------|---------|---------|----------|----------|----------|
| Metered [1] | \$78.75 | \$82.69 | \$103.19 | \$108.35 | \$113.76 |

| Homeowner Type | 2031/32 | 2032/33 | 2033/34 | 2034/35 |
|----------------|----------|----------|----------|----------|
| Metered [1] | \$129.26 | \$135.73 | \$142.51 | \$149.64 |

5.5 Rate Impact Summary

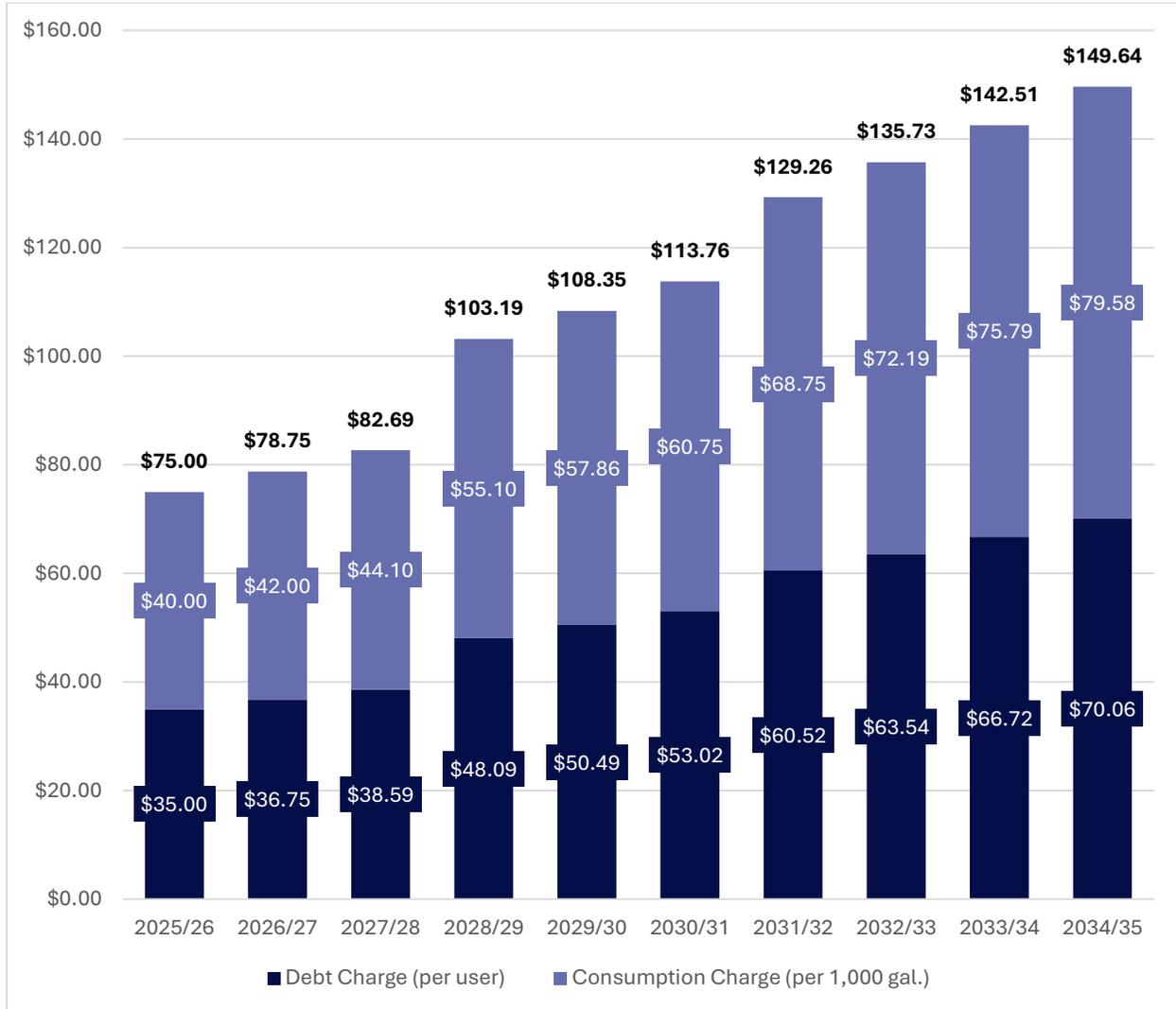
Scenario One: The proposed rate track results in an approximate increase of \$3.75 starting April 1, 2026; followed by additional increases on average of \$9.34 to a typical village homeowner’s monthly bill at the start of each fiscal year. Assumes 4,000 gallons of usage per month.

SCENARIO ONE: TABLE 5-5A: TYPICAL HOMEOWNER’S MONTHLY BILL BREAKDOWN



Scenario Two: The proposed rate track results in an approximate increase of \$3.75 starting April 1, 2026; followed by additional increases on average of \$8.86 to a typical village homeowner’s monthly bill at the start of each fiscal year. Assumes 4,000 gallons of usage per month.

SCENARIO TWO: TABLE 5-5B: TYPICAL HOMEOWNER’S MONTHLY BILL BREAKDOWN

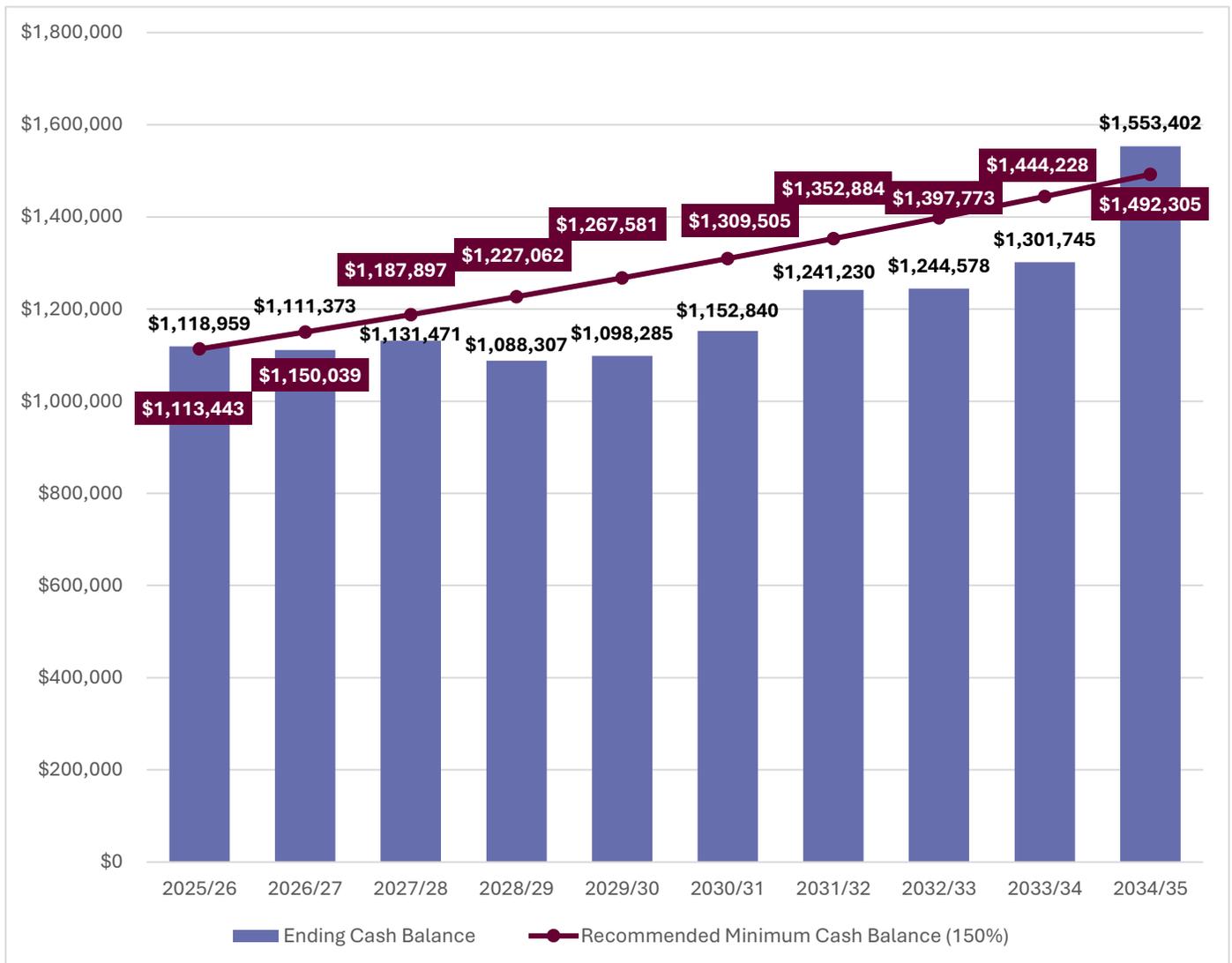


5.6 Cash Position Summary

The Village’s cash reserves are currently sufficient to cover approximately 18 months of operating and maintenance expenses (net of depreciation), which aligns with our recommended minimum reserve level for the fund. The reserve balance is expected to decline as planned projects are completed and then gradually increase to the recommended minimum as annual rate increases are implemented.

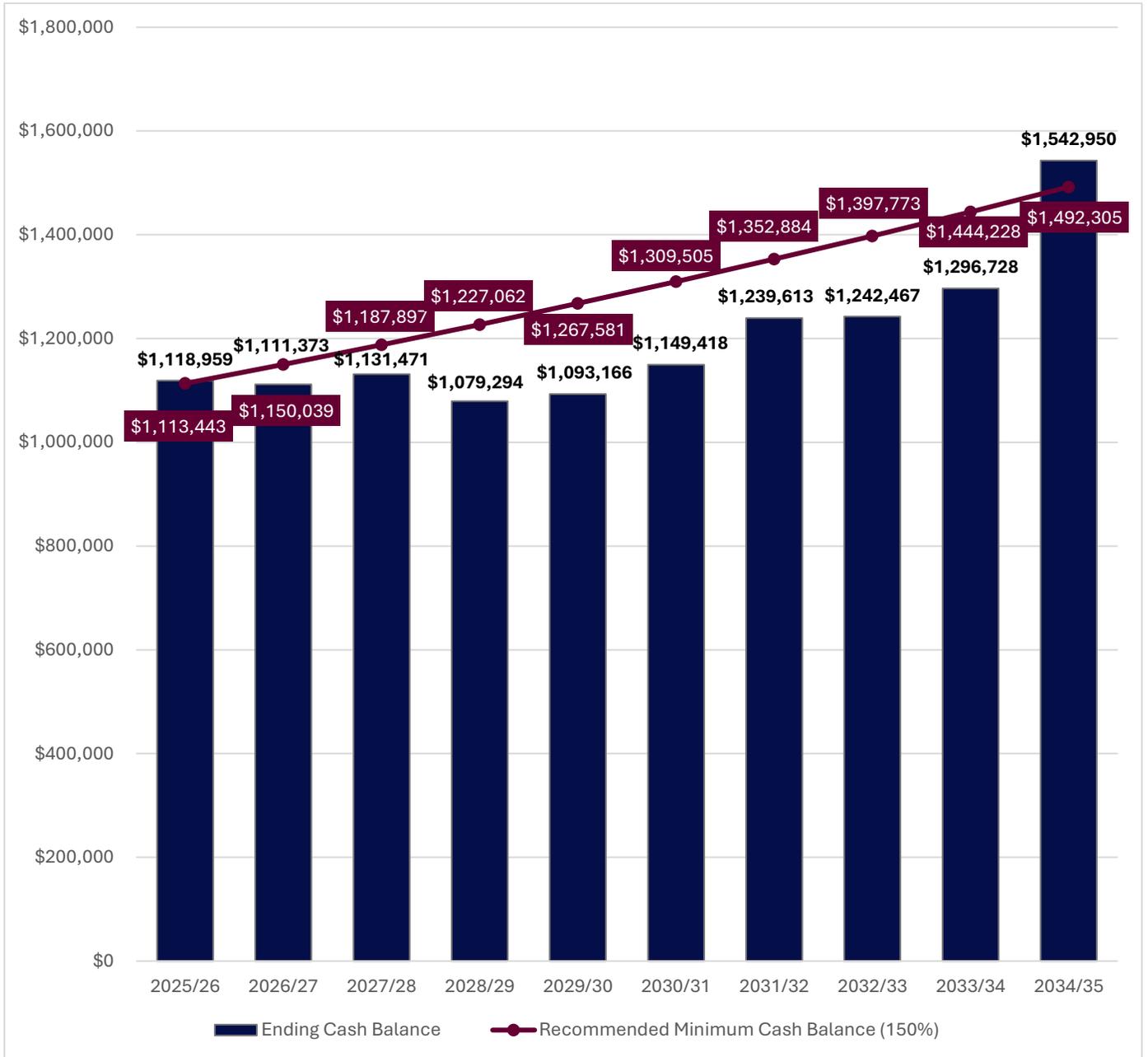
Scenario one estimates the ending cash reserves to be 18 months’ worth of cash operating expenses. Appendix E provides a complete cash flow analysis breakdown.

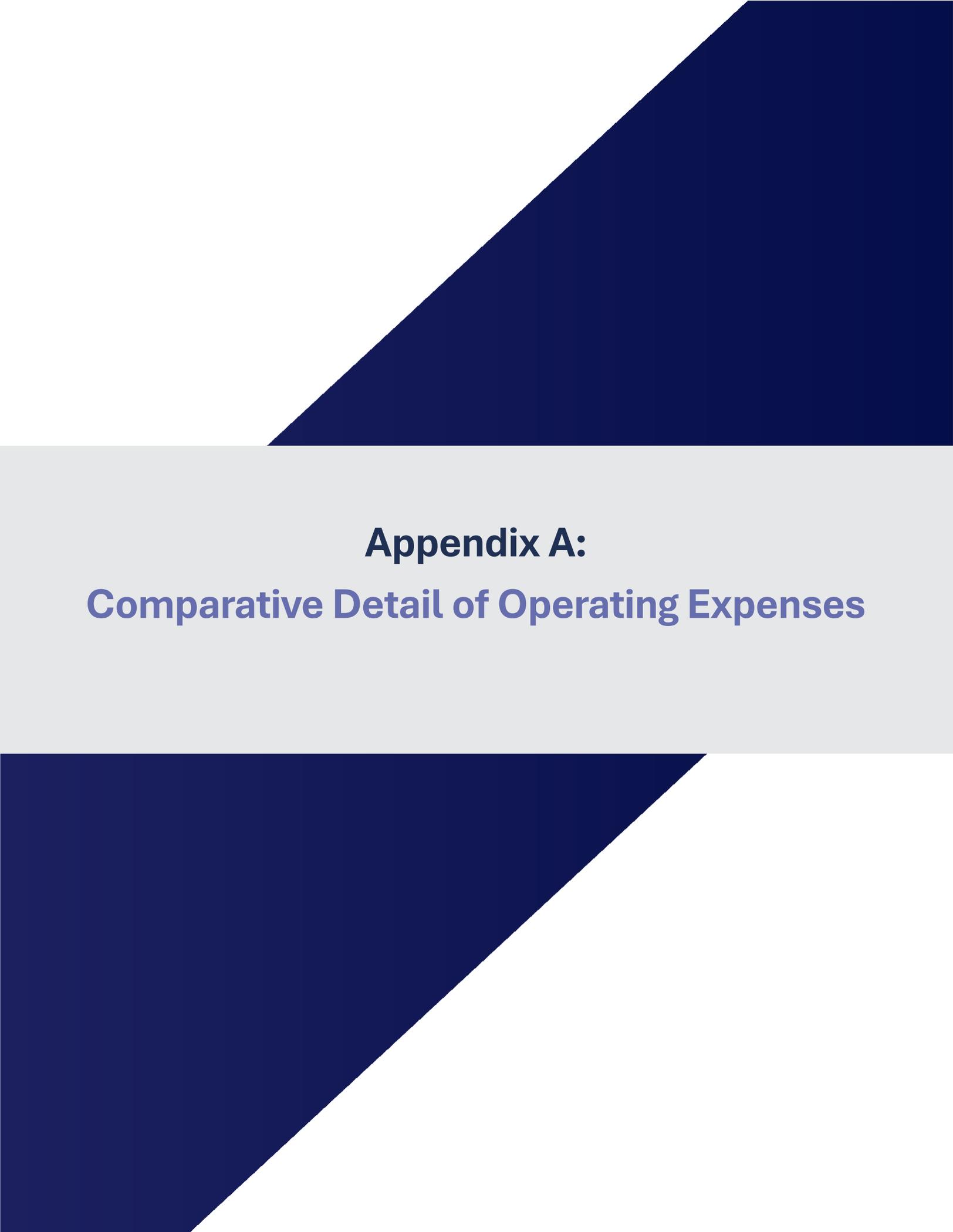
SCENARIO ONE: TABLE 5-6A: SCHEDULE OF ACTUAL AND ESTIMATED ENDING CASH RESERVES



Scenario two estimates the ending cash reserves to be 18 months’ worth of cash operating expenses. Appendix F provides a complete cash flow analysis breakdown.

SCENARIO TWO: TABLE 5-6B: SCHEDULE OF ACTUAL AND ESTIMATED ENDING CASH RESERVES





Appendix A:
Comparative Detail of Operating Expenses

VILLAGE OF ONTONAGON
COUNTY OF ONTONAGON, STATE OF MICHIGAN
Operating & Maintenance Expenses - Water

| | Fiscal Year Ended | | | Forecasted | |
|--|----------------------|-----------|-----------|------------|---------------------------|
| | 3/31/2024 | 3/31/2025 | 3/31/2026 | Test Year | Inflationary Increases |
| | Actuals | Actuals | Budget | | |
| | -----Per Client----- | | | | |
| Department 191: Administration | | | | | |
| 702.000 Salary/Wages | \$47,989 | \$50,368 | \$50,000 | \$50,000 | 3.00% |
| 711.000 Workers Comp | 242 | 247 | 250 | 250 | 3.00% |
| 712.000 Unemployment | 7 | 7 | 10 | 10 | 3.00% |
| 715.000 F.I.C.A./Med | 4,122 | 4,836 | 5,000 | 5,000 | 3.00% |
| 716.000 Hospitalization | 29,164 | 26,111 | 26,000 | 26,000 | 3.00% |
| 717.000 Employee Life & Disability Insurance | 87 | 88 | 100 | 100 | 3.00% |
| 718.000 Employer Retirement Contribution-MERS | (29,227) | 11,684 | 12,000 | 12,000 | 3.00% |
| 718.300 MERS 401A Employer Match | 1,358 | 1,762 | 1,775 | 1,775 | 3.00% |
| 720.000 Holiday Pay | 1,659 | 1,970 | 2,200 | 2,200 | 3.00% |
| 722.000 Vacation/PTO Pay | 6,629 | 5,177 | 5,300 | 5,300 | 3.00% |
| 723.000 Personal Days | - | 1,500 | 1,700 | 1,700 | 3.00% |
| 723.100 Funeral Leave | - | 216 | 100 | 100 | 3.00% |
| 724.000 Birthday Pay | 86 | 153 | 200 | 200 | 3.00% |
| 727.000 Office Supplies | 44 | 78 | 100 | 100 | 3.00% |
| 730.000 Postage | 4,942 | 2,135 | 3,000 | 3,000 | 3.00% |
| 741.000 Supplies & Materials | 271 | 954 | 1,000 | 1,000 | 3.00% |
| 757.000 Credit Card Service Fees | 885 | 862 | 1,000 | 1,000 | 3.00% |
| 801.100 Professional Services - Audit | 2,280 | 2,430 | 2,700 | 2,700 | 3.00% |
| 801.200 Profession Services - Legal | 11 | 61 | 100 | 100 | 3.00% |
| 801.701 Prof Services - Ordinances | - | 1,064 | 500 | 500 | 3.00% |
| 807.000 Contracted Service - Computer Support | 991 | 847 | 1,000 | 1,000 | 3.00% |
| 808.000 Data Processing | 338 | 1,282 | 1,500 | 1,500 | 3.00% |
| 858.000 Membership & Dues | 147 | 347 | - | - | 0.00% |
| 860.000 Transportation & Travel | 222 | - | 400 | 400 | 3.00% |
| 865.000 Training/Meetings | 92 | 377 | 450 | 450 | 3.00% |
| 905.000 Printing & Publishing | 264 | 1,788 | 2,000 | 2,000 | 3.00% |
| 911.000 Insurance/Bonds | 330 | 3,720 | 4,500 | 4,500 | 3.00% |
| 938.000 Samples & Testing | 880 | 3,313 | 3,500 | 3,500 | 3.00% |
| 980.000 Office Equipment | 1,221 | 2,815 | 3,000 | 3,000 | 3.00% |
| 985.000 DWAM Expenses | - | - | - [1] | - | 3.00% |
| 990.300 Misc Exp | 101 | 145 | - | - | 0.00% |
| Total Department 191: Administration | 75,135 | 126,334 | 129,385 | 129,385 | |
| Department 555: Operations of Sewer System | | | | | |
| 969.000 Depreciation Expense | - | - | - [2] | - | 0.00% |
| Department 556: Water Plant Operations | | | | | |
| 702.000 Salary/Wages | 53,028 | 57,692 | 57,500 | 57,500 | 3.00% |
| 711.000 Workers Comp | 1,957 | 2,047 | 2,100 | 2,100 | 3.00% |
| 712.000 Unemployment | 8 | 9 | 10 | 10 | 3.00% |
| 715.000 F.I.C.A./Med | 4,469 | 4,855 | 5,000 | 5,000 | 3.00% |
| 716.000 Hospitalization | 36,629 | 31,039 | 30,500 | 30,500 | 3.00% |
| 717.000 Employee Life & Disability Insurance | 87 | 82 | 100 | 100 | 3.00% |
| 718.000 Employer Retirement Contribution-MERS | (57,744) | 23,081 | 23,250 | 23,250 | 3.00% |
| 718.300 MERS 401A Employer Match | 144 | 261 | 300 | 300 | 3.00% |
| 718.301 MERS HCSP Employer Match | 586 | 641 | 650 | 650 | 3.00% |
| 720.000 Holiday Pay | 1,220 | 970 | 1,150 | 1,150 | 3.00% |
| 721.000 Sick Pay | 925 | 1,132 | 1,150 | 1,150 | 3.00% |
| 722.000 Vacation/PTO Pay | 2,715 | 3,047 | 3,500 | 3,500 | 3.00% |
| 723.000 Personal Days | 527 | 276 | 300 | 300 | 3.00% |
| 724.000 Birthday Pay | 138 | 138 | 150 | 150 | 3.00% |
| 730.000 Postage | 981 | 4,307 | 5,000 | 5,000 | 3.00% |
| 741.000 Supplies & Materials | 300,637 | 86,606 | 100,000 | 100,000 | 3.00% |
| 755.000 Gas & Fuel | 558 | 428 | 500 | 500 | 3.00% |
| 760.000 Equipment Rentals | - | 19,675 | 20,000 | 20,000 | 3.00% |
| 801.000 Professional Services | - | 3,000 | - | - | 0.00% |
| 801.600 Professional Services - Engineering | - | 2,100 | - | - | 0.00% |
| 806.000 Contracted Services Building & Grounds | - | - | - | - | 0.00% |

VILLAGE OF ONTONAGON
COUNTY OF ONTONAGON, STATE OF MICHIGAN
Operating & Maintenance Expenses - Water

| | Fiscal Year Ended | | | Forecasted | |
|--|-------------------|------------------|------------------|------------------|---------------------------|
| | 3/31/2024 | 3/31/2025 | 3/31/2026 | Test Year | Inflationary Increases |
| | Actuals | Actuals | Budget | | |
| Department 556: Water Plant Operations - Continued | | | | | |
| 850.000 Telephone & Communications | 6,078 | 3,021 | 3,200 | 3,200 | 5.00% |
| 860.000 Transportation & Travel | 264 | - | - | - | 0.00% |
| 865.000 Training/Meetings | 147 | 1,141 | 1,500 | 1,500 | 0.00% |
| 911.000 Insurance/Bonds | 16,210 | 25,918 | 30,000 | 30,000 | 5.00% |
| 921.000 Electric Bills | 41,057 | 60,574 | 70,000 | 70,000 | 5.00% |
| 928.000 Natural Gas Bills | 5,538 | 4,916 | 5,500 | 5,500 | 5.00% |
| 930.000 Repairs & Maintenance | 3,574 | 8,012 | 9,000 | 9,000 | 3.00% |
| 937.000 Vehicle Maintenance | 707 | 380 | 500 | 500 | 3.00% |
| 955.000 Samples & Testing | 3,221 | 1,660 | 2,000 | 2,000 | 3.00% |
| 983.001 Raw Water Pump | - | 4,762 | - | - | 0.00% |
| Total Department 556: Water Plant Operations | <u>423,660</u> | <u>351,769</u> | <u>372,860</u> | <u>372,860</u> | |
| Department 556.100: Water Distribution System | | | | | |
| 741.000 Supplies & Materials | - | 13 | - | - | 0.00% |
| Department 557: Water Distribution System | | | | | |
| 702.000 Salary/Wages | 80,852 | 83,969 | 87,000 | 87,000 | 3.00% |
| 703.000 Wages - Part Time | 66 | - | - | - | 0.00% |
| 711.000 Workers Comp | 2,905 | 2,675 | 2,925 | 2,925 | 3.00% |
| 712.000 Unemployment | 11 | 8 | 10 | 10 | 3.00% |
| 715.000 F.I.C.A./Med | 7,334 | 7,520 | 8,000 | 8,000 | 3.00% |
| 716.000 Hospitalization | 55,366 | 34,021 | 35,500 | 35,500 | 3.00% |
| 717.000 Employee Life & Disability Insurance | 150 | 107 | 115 | 115 | 3.00% |
| 718.000 Employer Retirement Contribution-MERS | (85,888) | 27,849 | 30,000 | 30,000 | 3.00% |
| 718.300 MERS 401A Employer Match | 1,641 | 2,672 | 3,000 | 3,000 | 3.00% |
| 718.301 MERS HCSP Employer Match | 938 | 985 | 1,100 | 1,100 | 3.00% |
| 720.000 Holiday Pay | 2,623 | 2,259 | 2,500 | 2,500 | 3.00% |
| 721.000 Sick Pay | 629 | 1,453 | 1,250 | 1,250 | 3.00% |
| 722.000 Vacation/PTO Pay | 8,043 | 8,808 | 10,000 | 10,000 | 3.00% |
| 723.000 Personal Days | 211 | 103 | 60 | 60 | 3.00% |
| 723.100 Funeral Leave | 173 | 231 | 250 | 250 | 3.00% |
| 724.000 Birthday Pay | 320 | 191 | 225 | 225 | 3.00% |
| 725.000 Clothing Allowance | 747 | 76 | 100 | 100 | 3.00% |
| 725.200 Longevity | 1,321 | 1,122 | 1,215 | 1,215 | 3.00% |
| 741.000 Supplies & Materials | 5,678 | 1,786 | 2,000 | 2,000 | 3.00% |
| 760.000 Equipment Rentals | 36,020 | 27,421 | 30,000 | 30,000 | 3.00% |
| 806.500 Garbage Disposal | 278 | 221 | 300 | 300 | 3.00% |
| 865.000 Training/Meetings | 4,672 | 2,977 | 3,500 | 3,500 | 3.00% |
| 911.000 Insurance/Bonds | - | 5,396 | 6,000 | 6,000 | 3.00% |
| 930.000 Repairs & Maintenance | 223 | 14,098 | 15,000 | 15,000 | 3.00% |
| 930.101 Project Plan | 12,978 | 4,250 | - | - | 0.00% |
| 930.102 DWAM Expenses - Engineering | - | - | - | - | 0.00% |
| Total Department 557: Water Distribution System | <u>137,292</u> | <u>230,200</u> | <u>240,050</u> | <u>240,050</u> | |
| Department 906: Debt Service | | | | | |
| 991.000 Debt Service - Interest | - | - | - | - | 0.00% |
| Total Water O&M Expenses | <u>\$636,088</u> | <u>\$708,316</u> | <u>\$742,295</u> | <u>\$742,295</u> | |

[1] DWAM Grant and Expenses are removed from this section as these expenses are included in the debt service schedules addressed later in the report.

[2] Depreciation Expense is removed from this report as it is performed on the cash basis.

[3] Interest Payments are removed from this section as these expenses are included in the debt service schedules addressed later in the report.



Appendix B:
Schedule of Current Debt Service



Appendix C:
Capital Improvement Plan – Scenario One

VILLAGE OF ONTONAGON
COUNTY OF ONTONAGON, STATE OF MICHIGAN
Schedule of Estimated Capital Improvements - Water

| Project | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 | 2033/34 | 2034/35 | Totals |
|--|----------------|----------------|----------------|--------------------|----------------|--------------------|----------------|----------------|----------------|----------------|---------------------|
| White Pine Water Tower Replacement with 100k Gallon Tank | | | | \$2,000,000 | | | | | | | \$2,000,000 |
| Silver City Pressure Relief Valve | | | | 25,000 | | | | | | | 25,000 |
| Replacement of 10 Various Valves | | | | 75,000 | | | | | | | 75,000 |
| New Silver City Pump Station | | | | 4,500,000 | | | | | | | 4,500,000 |
| 36" Concrete Water Main Replacement | | | | | | \$6,750,000 | | | | | 6,750,000 |
| Sub-total: | - | - | - | \$6,600,000 | - | \$6,750,000 | - | - | - | - | \$13,350,000 |
| Plus: Inflation Allowance (5.0%): | - | - | - | 1,040,325 | - | 1,864,901 | - | - | - | - | 2,905,226 |
| Total Capital Improvements: | - | - | - | \$7,640,325 | - | \$8,614,901 | - | - | - | - | \$16,255,226 |
| Total Bond-Funded Capital Improvements: | | | | \$7,524,563 | | \$8,614,901 | | | | | |
| Total Cash-Funded Capital Improvements | | | | 115,763 | | | | | | | |

| Project | 2035/36 | 2036/37 | 2037/38 | 2038/39 | 2039/40 | 2040/41 | 2041/42 | 2042/43 | 2043/44 | 2044/45 | Totals |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------------|---------------------|
| Lakeshore Road Upsizing 4" Watermain to 6" and Connecting to Superior Way Watermain | | | | | | | | | | \$389,000 | \$389,000 |
| Connecting Rockland Road 8" Watermain to Water Tower | | | | | | | | | | 286,000 | 286,000 |
| Copper Street Upsizing 4" Watermain to 6" | | | | | | | | | | 99,000 | 99,000 |
| 5th Street Upsizing 4" Watermain to 6" | | | | | | | | | | 288,000 | 288,000 |
| S 4th St & S 3rd St 4" Watermain Upsizing to 6" | | | | | | | | | | 246,000 | 246,000 |
| Ontonagon River Crossing 8" Watermain Replacement | | | | | | | | | | 1,500,000 | 1,500,000 |
| Pennsylvania Avenue 6" Watermain Replacement | | | | | | | | | | 697,000 | 697,000 |
| Paul Bunyan Avenue 6" Watermain Replacement | | | | | | | | | | 866,000 | 866,000 |
| East River Street 6" Watermain Replacement | | | | | | | | | | 275,000 | 275,000 |
| Alsace Avenue 6" Watermain Replacement | | | | | | | | | | 435,000 | 435,000 |
| Houghton Street 6" Watermain Replacement | | | | | | | | | | 874,000 | 874,000 |
| Ontonagon 850k Gallon Ground Tank Fencing | | | | | | | | | | 15,000 | 15,000 |
| Ontonagon Pump Station Upgrades/ Repairs | | | | | | | | | | 785,000 | 785,000 |
| River Street 10" Watermain Replacement | | | | | | | | | | 1,475,000 | 1,475,000 |
| Island Road 10" Water Main Replacement | | | | | | | | | | 819,000 | 819,000 |
| Mors Street 8" Watermain Replacement | | | | | | | | | | 355,000 | 355,000 |
| Balsam Street 8" Water Main Replacement | | | | | | | | | | 577,000 | 577,000 |
| Michigan Ave 8" Water Main Replacement | | | | | | | | | | 312,000 | 312,000 |
| Riverview Drive 8" Water Main Replacement | | | | | | | | | | 1,291,000 | 1,291,000 |
| Superior Drive 8" Water Main Replacement | | | | | | | | | | 890,000 | 890,000 |
| Fairview Drive 8" Watermain Replacement | | | | | | | | | | 489,000 | 489,000 |
| Hemlock Street 10" Water Main Replacement | | | | | | | | | | 1,461,000 | 1,461,000 |
| Replacement of 20 Various Valves | | | | | | | | | | 150,000 | 150,000 |
| Ontonagon 150k Elevated Tank Coating and Cathodic Protection | | | | | | | | | | 105,000 | 105,000 |
| White Pine Water Treatment Plant Upgrades | | | | | | | | | | 6,301,000 | 6,301,000 |
| Elm Street 8" Watermain Replacement to Adress Leaking issues | | | | | | | | | | 664,000 | 664,000 |
| South 4th Street 4" Transite Watermain Replacement with 6" | | | | | | | | | | 171,000 | 171,000 |
| Minnesota Ave 4" Transite Watermain Replacement with 6" | | | | | | | | | | 348,000 | 348,000 |
| Rockland Road 6" Watermain Replacement | | | | | | | | | | 1,130,000 | 1,130,000 |
| Michigan Street Adding 4 valves | | | | | | | | | | 30,000 | 30,000 |
| Silver City Pressure Relief Valve Replacement | | | | | | | | | | 30,000 | 30,000 |
| River Road 12" Transite Water Main Replacement | | | | | | | | | | 1,470,000 | 1,470,000 |
| Prehnite Street/Spar Street/Gorman Avenue Transite 6" Watermain Replacement | | | | | | | | | | 387,000 | 387,000 |
| Ontonagon/ Amygdaloid Street 6" Transite Watermain Replacement | | | | | | | | | | 272,000 | 272,000 |
| Lake/Trap Street 6" Transite Watermain Replacement | | | | | | | | | | 206,000 | 206,000 |
| Diamond Street 4" Transite Watermain Replacement with 6" | | | | | | | | | | 251,000 | 251,000 |
| Sub-total: | - | - | - | - | - | - | - | - | - | \$25,939,000 | \$25,939,000 |
| Plus: Inflation Allowance (5.0%): | - | - | - | - | - | - | - | - | - | 39,607,561 | 39,607,561 |
| Total Bond-Funded Capital Improvements: | - | \$65,546,561 | \$65,546,561 |

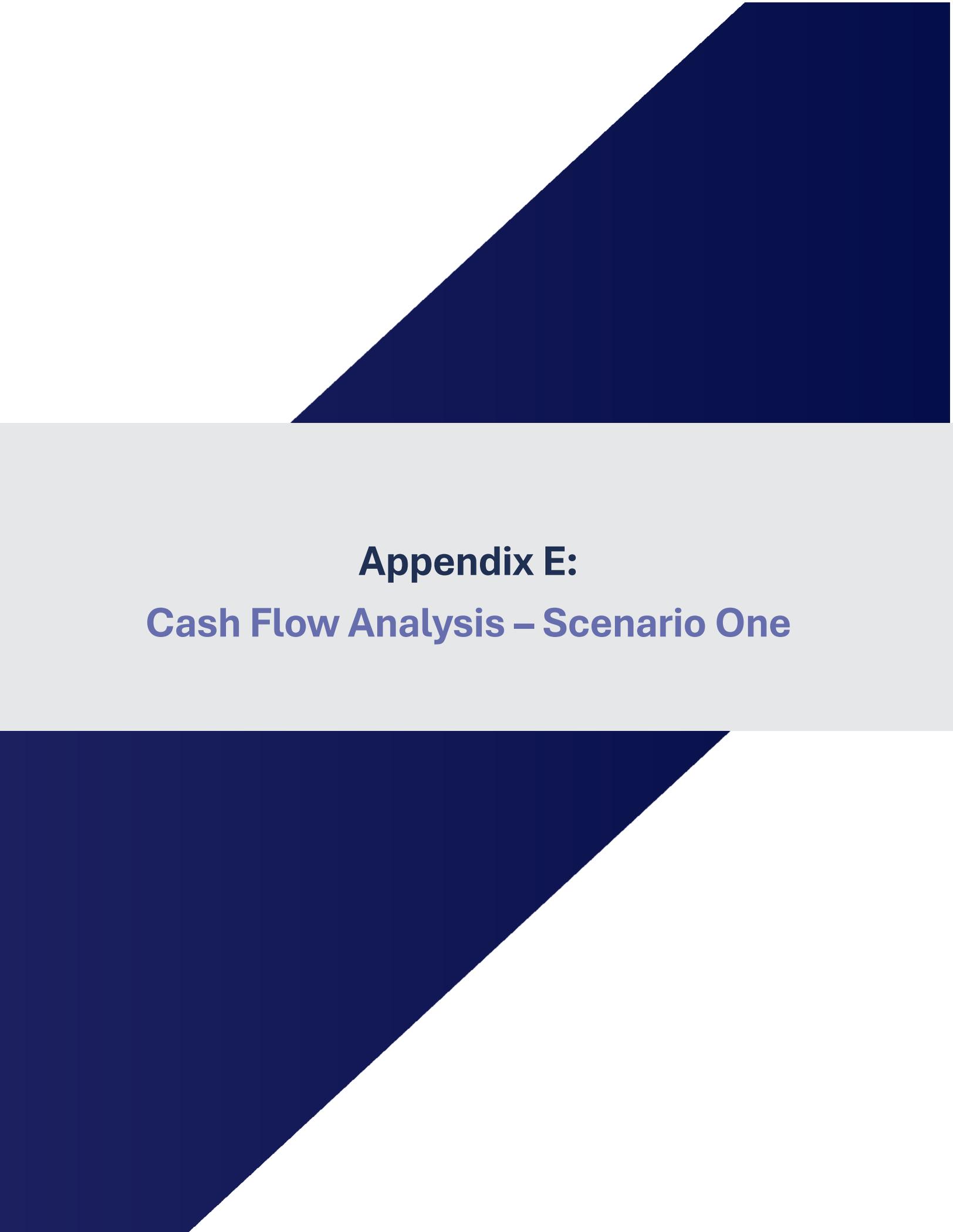


Appendix D:
Capital Improvement Plan – Scenario Two

VILLAGE OF ONTONAGON
COUNTY OF ONTONAGON, STATE OF MICHIGAN
Schedule of Estimated Capital Improvements - Water

| Project | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 | 2033/34 | 2034/35 | Totals |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|
| White Pine Water Tower Replacement with 100k Gallon Tank | | | | \$2,000,000 | | | | | | | \$2,000,000 |
| Silver City Pressure Relief Valve | | | | 25,000 | | | | | | | 25,000 |
| Replacement of 10 Various Valves | | | | 75,000 | | | | | | | 75,000 |
| New Silver City Pump Station | | | | 3,500,000 | | | | | | | 3,500,000 |
| 36" Concrete Water Main Replacement | | | | | | \$6,750,000 | | | | | 6,750,000 |
| Sub-total: | - | - | - | \$5,600,000 | - | \$6,750,000 | - | - | - | - | \$12,350,000 |
| Plus: Inflation Allowance (5.0%): | - | - | - | 882,700 | - | 1,864,901 | - | - | - | - | 2,747,601 |
| Total Capital Improvements: | - | - | - | \$6,482,700 | - | \$8,614,901 | - | - | - | - | \$15,097,601 |
| Total Bond-Funded Capital Improvements: | | | | \$6,366,938 | | \$8,614,901 | | | | | |
| Total Cash-Funded Capital Improvements | | | | 115,763 | | | | | | | |

| Project | 2035/36 | 2036/37 | 2037/38 | 2038/39 | 2039/40 | 2040/41 | 2041/42 | 2042/43 | 2043/44 | 2044/45 | Totals |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|
| Lakeshore Road Upsizing 4" Watermain to 6" and Connecting to Superior Way Watermain | | | | | | | | | | \$389,000 | \$389,000 |
| Connecting Rockland Road 8" Watermain to Water Tower | | | | | | | | | | 286,000 | 286,000 |
| Copper Street Upsizing 4" Watermain to 6" | | | | | | | | | | 99,000 | 99,000 |
| 5th Street Upsizing 4" Watermain to 6" | | | | | | | | | | 288,000 | 288,000 |
| S 4th St & S 3rd St 4" Watermain Upsizing to 6" | | | | | | | | | | 246,000 | 246,000 |
| Ontonagon River Crossing 8" Watermain Replacement | | | | | | | | | | 1,500,000 | 1,500,000 |
| Pennsylvania Avenue 6" Watermain Replacement | | | | | | | | | | 697,000 | 697,000 |
| Paul Bunyan Avenue 6" Watermain Replacement | | | | | | | | | | 866,000 | 866,000 |
| East River Street 6" Watermain Replacement | | | | | | | | | | 275,000 | 275,000 |
| Alsace Avenue 6" Watermain Replacement | | | | | | | | | | 435,000 | 435,000 |
| Houghton Street 6" Watermain Replacement | | | | | | | | | | 874,000 | 874,000 |
| Ontonagon 850k Gallon Ground Tank Fencing | | | | | | | | | | 15,000 | 15,000 |
| Ontonagon Pump Station Upgrades/ Repairs | | | | | | | | | | 785,000 | 785,000 |
| River Street 10" Watermain Replacement | | | | | | | | | | 1,475,000 | 1,475,000 |
| Island Road 10" Water Main Replacement | | | | | | | | | | 819,000 | 819,000 |
| Mors Street 8" Watermain Replacement | | | | | | | | | | 355,000 | 355,000 |
| Balsam Street 8" Water Main Replacement | | | | | | | | | | 577,000 | 577,000 |
| Michigan Ave 8" Water Main Replacement | | | | | | | | | | 312,000 | 312,000 |
| Riverview Drive 8" Water Main Replacement | | | | | | | | | | 1,291,000 | 1,291,000 |
| Superior Drive 8" Water Main Replacement | | | | | | | | | | 890,000 | 890,000 |
| Fairview Drive 8" Watermain Replacement | | | | | | | | | | 489,000 | 489,000 |
| Hemlock Street 10" Water Main Replacement | | | | | | | | | | 1,461,000 | 1,461,000 |
| Replacement of 20 Various Valves | | | | | | | | | | 150,000 | 150,000 |
| Ontonagon 150k Elevated Tank Coating and Cathodic Protection | | | | | | | | | | 105,000 | 105,000 |
| White Pine Water Treatment Plant Upgrades | | | | | | | | | | 6,301,000 | 6,301,000 |
| Elm Street 8" Watermain Replacement to Adress Leaking issues | | | | | | | | | | 664,000 | 664,000 |
| South 4th Street 4" Transite Watermain Replacement with 6" | | | | | | | | | | 171,000 | 171,000 |
| Minnesota Ave 4" Transite Watermain Replacement with 6" | | | | | | | | | | 348,000 | 348,000 |
| Rockland Road 6" Watermain Replacement | | | | | | | | | | 1,130,000 | 1,130,000 |
| Michigan Street Adding 4 valves | | | | | | | | | | 30,000 | 30,000 |
| Silver City Pressure Relief Valve Replacement | | | | | | | | | | 30,000 | 30,000 |
| River Road 12" Transite Water Main Replacement | | | | | | | | | | 1,470,000 | 1,470,000 |
| Prehnite Street/Spar Street/Gorman Avenue Transite 6" Watermain Replacement | | | | | | | | | | 387,000 | 387,000 |
| Ontonagon/ Amygdaloid Street 6" Transite Watermain Replacement | | | | | | | | | | 272,000 | 272,000 |
| Lake/Trap Street 6" Transite Watermain Replacement | | | | | | | | | | 206,000 | 206,000 |
| Diamond Street 4" Transite Watermain Replacement with 6" | | | | | | | | | | 251,000 | 251,000 |
| Sub-total: | - | - | - | - | - | - | - | - | - | \$25,939,000 | \$25,939,000 |
| Plus: Inflation Allowance (5.0%): | - | - | - | - | - | - | - | - | - | 39,607,561 | 39,607,561 |
| Total Bond-Funded Capital Improvements: | - | - | - | - | - | - | - | - | - | \$65,546,561 | \$65,546,561 |



Appendix E:
Cash Flow Analysis – Scenario One

VILLAGE OF ONTONAGON
COUNTY OF ONTONAGON, STATE OF MICHIGAN
Cash Flow - Water Fund \$4.5M Silver City Pump Station

| | <u>2025/26</u> | <u>Inflationary Increases</u> | <u>2026/27</u> | <u>2027/28</u> | <u>Increase</u> | <u>2028/29</u> | <u>Inflationary Increases</u> | <u>2029/30</u> |
|---|--------------------|-----------------------------------|--------------------|--------------------|-----------------|--------------------|-----------------------------------|--------------------|
| Rates: | | | | | | | | |
| Number of Customers | 1,436 | | 1,436 | 1,436 | | 1,436 | | 1,436 |
| Debt Base Charge | \$35.00 | 5.00% | \$36.75 | \$38.59 | \$11.50 | \$50.09 | 5.00% | \$52.59 |
| Billable Flow (1,000 gal.) - Inside Village [1] | 21,515 | | 21,084 | 20,663 | | 20,249 | | 19,844 |
| Consumption Charge (per 1,000 gal.) - Inside Village | \$10.00 | 5.00% | \$10.50 | \$11.03 | \$3.00 | \$14.03 | 5.00% | \$14.73 |
| Billable Flow (1,000 gal.) - Outside Village | 11,962 | | 11,962 | 11,962 | | 11,962 | | 11,962 |
| Consumption Charge (per 1,000 gal.) - Outside Village | \$15.00 | | \$15.75 | \$16.54 | | \$21.04 | | \$22.09 |
| <i>Typical Village homeowner's monthly bill (assumes 4,000 gallons/month)</i> | \$75.00 | | \$78.75 | \$82.69 | | \$106.19 | | \$111.50 |
| Revenues: | | | | | | | | |
| Debt Base Charge | \$603,120 | | \$633,276 | \$664,940 | | \$863,108 | | \$906,263 |
| Consumption Charge - Inside Village | 215,146 | | 221,385 | 227,805 | | 283,997 | | 292,233 |
| Consumption Charge - Outside Village | 179,437 | | 188,409 | 197,829 | | 251,661 | | 264,244 |
| Other | 59,650 | | 15,000 | 15,000 | | 15,000 | | 15,000 |
| Total Revenues | <u>1,057,353</u> | | <u>1,058,070</u> | <u>1,105,574</u> | | <u>1,413,765</u> | | <u>1,477,740</u> |
| Less: Total Operating Expenditures | <u>(742,295)</u> | | <u>(766,693)</u> | <u>(791,931)</u> | | <u>(818,041)</u> | | <u>(845,054)</u> |
| Net Operating Revenue | 315,058 | | 291,377 | 313,643 | | 595,724 | | 632,686 |
| Less: Current Debt Service Payments | (304,382) | | (298,963) | (293,545) | | (288,126) | | (287,707) |
| Estimated Cash-Funded Capital Improvements | - | | - | - | | (115,763) | | - |
| Estimated Debt Service #1 2028/29 USDA Bond [2] | - | | - | - | | (235,000) | | (335,000) |
| Estimated Debt Service #2 2031/32 USDA Bond [3] | - | | - | - | | - | | - |
| Net Cash Flow | <u>\$10,676</u> | | <u>(\$7,586)</u> | <u>\$20,098</u> | | <u>(\$43,164)</u> | | <u>\$9,979</u> |
| <i>Cash & Investments</i> | <i>\$1,108,283</i> | <i>\$1,118,959</i> | <i>\$1,111,373</i> | <i>\$1,131,471</i> | | <i>\$1,088,307</i> | | <i>\$1,098,285</i> |

[1] Assumes annual decrease of 2.00% based on historical figures.

[2] Estimated debt service payments based on a \$7,524,563 40-year USDA bond issue at an estimated interest rate.

[3] Estimated debt service payments based on a \$8,614,901 40-year USDA bond issue at an estimated interest rate.

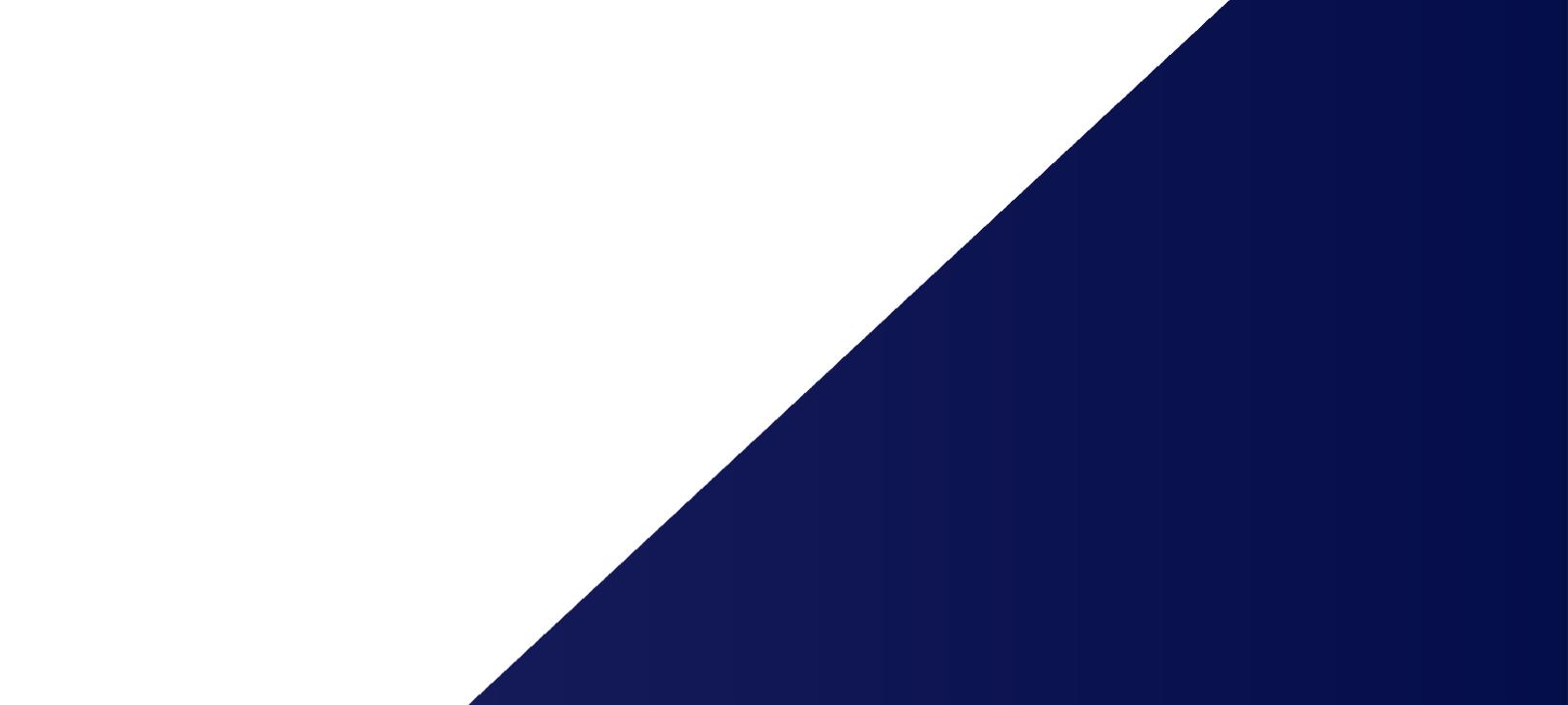
VILLAGE OF ONTONAGON
COUNTY OF ONTONAGON, STATE OF MICHIGAN
Cash Flow - Water Fund \$4.5M Silver City Pump Station - Continued

| | <u>2030/31</u> | <u>Increase</u> | <u>2031/32</u> | <u>Inflationary Increases</u> | <u>2032/33</u> | <u>2033/34</u> | <u>2034/35</u> |
|---|--------------------|-----------------|--------------------|-----------------------------------|--------------------|--------------------|--------------------|
| Rates: | | | | | | | |
| Number of Customers | 1,436 | | 1,436 | | 1,436 | 1,436 | 1,436 |
| Debt Base Charge | \$55.22 | \$7.50 | \$62.72 | 5.00% | \$65.86 | \$69.15 | \$72.61 |
| Billable Flow (1,000 gal.) - Inside Village [1] | 19,447 | | 19,059 | | 18,677 | 18,304 | 17,938 |
| Consumption Charge (per 1,000 gal.) - Inside Village | \$15.46 | \$2.00 | \$17.46 | 5.00% | \$18.34 | \$19.25 | \$20.22 |
| Billable Flow (1,000 gal.) - Outside Village | 11,962 | | 11,962 | | 11,962 | 11,962 | 11,962 |
| Consumption Charge (per 1,000 gal.) - Outside Village | \$23.19 | | \$26.19 | | \$27.50 | \$28.88 | \$30.32 |
| <i>Typical Village homeowner's monthly bill (assumes 4,000 gallons/month)</i> | \$117.07 | | \$132.57 | | \$139.20 | \$146.16 | \$153.47 |
| Revenues: | | | | | | | |
| Debt Base Charge | \$951,576 | | \$1,080,816 | | \$1,134,857 | \$1,191,600 | \$1,251,180 |
| Consumption Charge - Inside Village | 300,708 | | 332,811 | | 342,462 | 352,393 | 362,613 |
| Consumption Charge - Outside Village | 277,456 | | 313,343 | | 329,010 | 345,461 | 362,734 |
| Other | 15,000 | | 15,000 | | 15,000 | 15,000 | 15,000 |
| Total Revenues | <u>1,544,740</u> | | <u>1,741,970</u> | | <u>1,821,330</u> | <u>1,904,454</u> | <u>1,991,527</u> |
| Less: Total Operating Expenditures | <u>(873,003)</u> | | <u>(901,923)</u> | | <u>(931,849)</u> | <u>(962,818)</u> | <u>(994,870)</u> |
| Net Operating Revenue | 671,737 | | 840,047 | | 889,481 | 941,636 | 996,657 |
| Less: Current Debt Service Payments | (282,182) | | (276,657) | | (271,132) | (269,469) | - |
| Estimated Debt Service #1 2028/29 USDA Bond [2] | (335,000) | | (335,000) | | (335,000) | (335,000) | (335,000) |
| Estimated Debt Service #2 2031/32 USDA Bond [3] | - | | (140,000) | | (280,000) | (280,000) | (410,000) |
| Net Cash Flow | <u>\$54,555</u> | | <u>\$88,390</u> | | <u>\$3,349</u> | <u>\$57,167</u> | <u>\$251,657</u> |
| <i>Cash & Investments</i> | <i>\$1,152,840</i> | | <i>\$1,241,230</i> | | <i>\$1,244,578</i> | <i>\$1,301,745</i> | <i>\$1,553,402</i> |

[1] Assumes annual decrease of 2.00% based on historical figures.

[2] Estimated debt service payments based on a \$7,524,563 40-year USDA bond issue at an estimated interest rate.

[3] Estimated debt service payments based on a \$8,614,901 40-year USDA bond issue at an estimated interest rate.



Appendix F:
Cash Flow Analysis – Scenario Two

VILLAGE OF ONTONAGON
COUNTY OF ONTONAGON, STATE OF MICHIGAN
Cash Flow - Water Fund \$3.5M Silver City Pump Station

| | <u>2025/26</u> | <u>Inflationary Increases</u> | <u>2026/27</u> | <u>2027/28</u> | <u>Increase</u> | <u>2028/29</u> | <u>Inflationary Increases</u> | <u>2029/30</u> |
|---|--------------------|-----------------------------------|--------------------|--------------------|-----------------|--------------------|-----------------------------------|--------------------|
| Rates: | | | | | | | | |
| Number of Customers | 1,436 | | 1,436 | 1,436 | | 1,436 | | 1,436 |
| Debt Base Charge | \$35.00 | 5.00% | \$36.75 | \$38.59 | \$9.50 | \$48.09 | 5.00% | \$50.49 |
| Billable Flow (1,000 gal.) - Inside Village [1] | 21,515 | | 21,084 | 20,663 | | 20,249 | | 19,844 |
| Consumption Charge (per 1,000 gal.) - Inside Village | \$10.00 | 5.00% | \$10.50 | \$11.03 | \$2.75 | \$13.78 | 5.00% | \$14.46 |
| Billable Flow (1,000 gal.) - Outside Village | 11,962 | | 11,962 | 11,962 | | 11,962 | | 11,962 |
| Consumption Charge (per 1,000 gal.) - Outside Village | \$15.00 | | \$15.75 | \$16.54 | | \$20.66 | | \$21.70 |
| <i>Typical Village homeowner's monthly bill (assumes 4,000 gallons/month)</i> | \$75.00 | | \$78.75 | \$82.69 | | \$103.19 | | \$108.35 |
| Revenues: | | | | | | | | |
| Debt Base Charge | \$603,120 | | \$633,276 | \$664,940 | | \$828,644 | | \$870,076 |
| Consumption Charge - Inside Village | 215,146 | | 221,385 | 227,805 | | 278,935 | | 287,024 |
| Consumption Charge - Outside Village | 179,437 | | 188,409 | 197,829 | | 247,175 | | 259,533 |
| Other | 59,650 | | 15,000 | 15,000 | | 15,000 | | 15,000 |
| Total Revenues | <u>1,057,353</u> | | <u>1,058,070</u> | <u>1,105,574</u> | | <u>1,369,753</u> | | <u>1,431,633</u> |
| Less: Total Operating Expenditures | <u>(742,295)</u> | | <u>(766,693)</u> | <u>(791,931)</u> | | <u>(818,041)</u> | | <u>(845,054)</u> |
| Net Operating Revenue | 315,058 | | 291,377 | 313,643 | | 551,712 | | 586,579 |
| Less: Current Debt Service Payments | (304,382) | | (298,963) | (293,545) | | (288,126) | | (287,707) |
| Estimated Cash-Funded Capital Improvements | - | | - | - | | (115,763) | | - |
| Estimated Debt Service #1 2028/29 USDA Bond [2] | - | | - | - | | (200,000) | | (285,000) |
| Estimated Debt Service #2 2031/32 USDA Bond [3] | - | | - | - | | - | | - |
| Net Cash Flow | <u>\$10,676</u> | | <u>(\$7,586)</u> | <u>\$20,098</u> | | <u>(\$52,176)</u> | | <u>\$13,872</u> |
| <i>Cash & Investments</i> | <i>\$1,108,283</i> | <i>\$1,118,959</i> | <i>\$1,111,373</i> | <i>\$1,131,471</i> | | <i>\$1,079,294</i> | | <i>\$1,093,166</i> |

[1] Assumes annual decrease of 2.00% based on historical figures.

[2] Estimated debt service payments based on a \$6,366,938 40-year USDA bond issue at an estimated interest rate.

[3] Estimated debt service payments based on a \$8,614,901 40-year USDA bond issue at an estimated interest rate.

VILLAGE OF ONTONAGON
COUNTY OF ONTONAGON, STATE OF MICHIGAN
Cash Flow - Water Fund \$3.5M Silver City Pump Station - Continued

| | <u>2030/31</u> | <u>Increase</u> | <u>2031/32</u> | <u>Inflationary Increases</u> | <u>2032/33</u> | <u>2033/34</u> | <u>2034/35</u> |
|---|--------------------|-----------------|--------------------|-----------------------------------|--------------------|--------------------|--------------------|
| Rates: | | | | | | | |
| Number of Customers | 1,436 | | 1,436 | | 1,436 | 1,436 | 1,436 |
| Debt Base Charge | \$53.02 | \$7.50 | \$60.52 | 5.00% | \$63.54 | \$66.72 | \$70.06 |
| Billable Flow (1,000 gal.) - Inside Village [1] | 19,447 | | 19,059 | | 18,677 | 18,304 | 17,938 |
| Consumption Charge (per 1,000 gal.) - Inside Village | \$15.19 | \$2.00 | \$17.19 | 5.00% | \$18.05 | \$18.95 | \$19.90 |
| Billable Flow (1,000 gal.) - Outside Village | 11,962 | | 11,962 | | 11,962 | 11,962 | 11,962 |
| Consumption Charge (per 1,000 gal.) - Outside Village | \$22.78 | | \$25.78 | | \$27.07 | \$28.42 | \$29.84 |
| <i>Typical Village homeowner's monthly bill (assumes 4,000 gallons/month)</i> | \$113.76 | | \$129.26 | | \$135.73 | \$142.51 | \$149.64 |
| Revenues: | | | | | | | |
| Debt Base Charge | \$913,580 | | \$1,042,820 | | \$1,094,961 | \$1,149,709 | \$1,207,194 |
| Consumption Charge - Inside Village | 295,347 | | 327,558 | | 337,057 | 346,831 | 356,889 |
| Consumption Charge - Outside Village | 272,510 | | 308,397 | | 323,817 | 340,008 | 357,009 |
| Other | 15,000 | | 15,000 | | 15,000 | 15,000 | 15,000 |
| Total Revenues | <u>1,496,437</u> | | <u>1,693,775</u> | | <u>1,770,835</u> | <u>1,851,548</u> | <u>1,936,092</u> |
| Less: Total Operating Expenditures | <u>(873,003)</u> | | <u>(901,923)</u> | | <u>(931,849)</u> | <u>(962,818)</u> | <u>(994,870)</u> |
| Net Operating Revenue | 623,434 | | 791,852 | | 838,986 | 888,730 | 941,222 |
| Less: Current Debt Service Payments | (282,182) | | (276,657) | | (271,132) | (269,469) | - |
| Estimated Debt Service #1 2028/29 USDA Bond [2] | (285,000) | | (285,000) | | (285,000) | (285,000) | (285,000) |
| Estimated Debt Service #2 2031/32 USDA Bond [3] | - | | (140,000) | | (280,000) | (280,000) | (410,000) |
| Net Cash Flow | <u>\$56,252</u> | | <u>\$90,195</u> | | <u>\$2,854</u> | <u>\$54,261</u> | <u>\$246,222</u> |
| <i>Cash & Investments</i> | <i>\$1,149,418</i> | | <i>\$1,239,613</i> | | <i>\$1,242,467</i> | <i>\$1,296,728</i> | <i>\$1,542,950</i> |

[1] Assumes annual decrease of 2.00% based on historical figures.

[2] Estimated debt service payments based on a \$6,366,938 40-year USDA bond issue at an estimated interest rate.

[3] Estimated debt service payments based on a \$8,614,901 40-year USDA bond issue at an estimated interest rate.



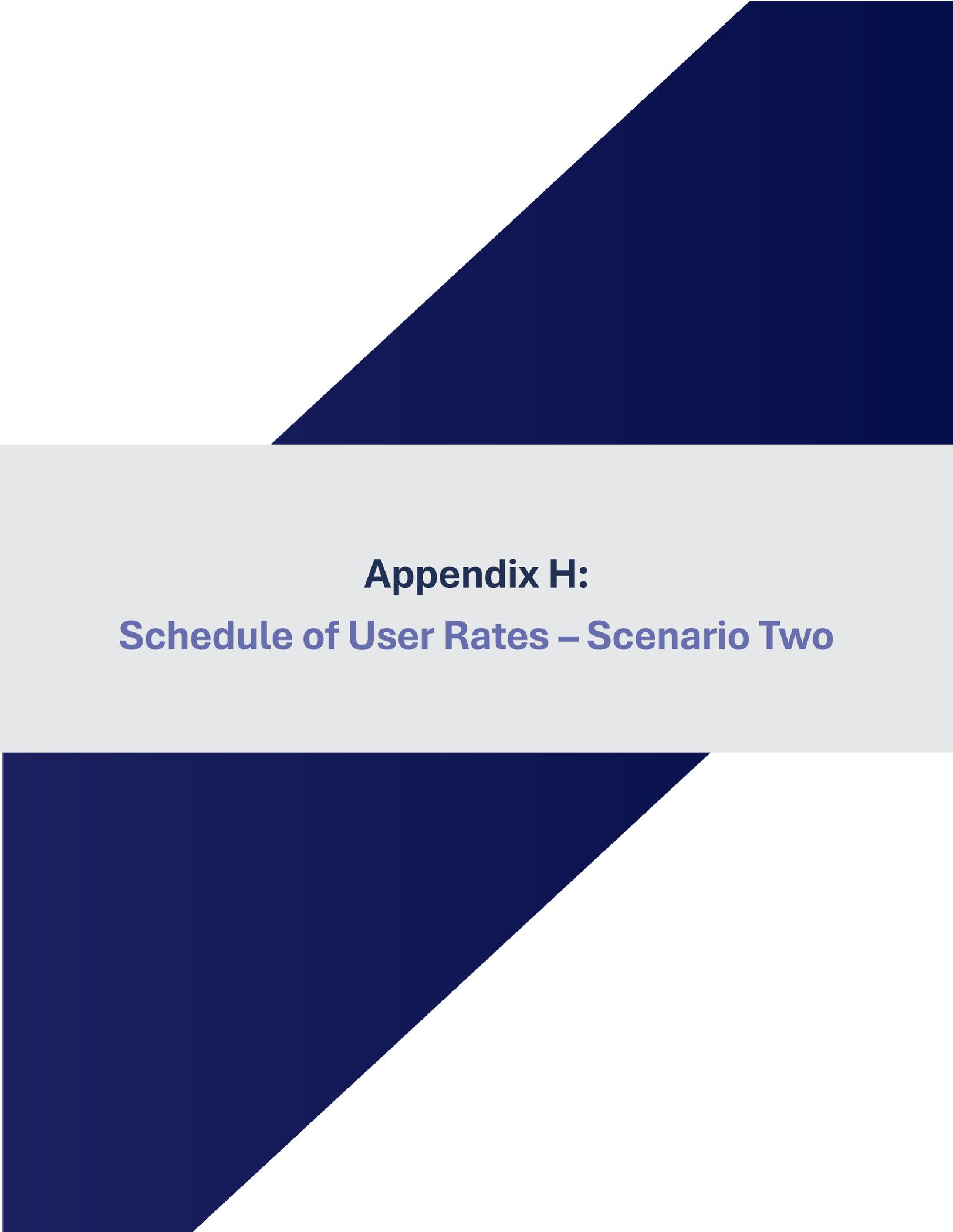
Appendix G:
Schedule of User Rates – Scenario One

VILLAGE OF ONTONAGON
COUNTY OF ONTONAGON, STATE OF MICHIGAN

User Rates - Water - Scenario One

| Base Charge | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 | 2033/34 | 2034/35 |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| All Customers | \$36.75 | \$38.59 | \$50.09 | \$52.59 | \$55.22 | \$62.72 | \$65.86 | \$69.15 | \$72.61 |

| Consumption Charge (per 1,000 gal.) | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 | 2033/34 | 2034/35 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Village | \$10.50 | \$11.03 | \$14.03 | \$14.73 | \$15.46 | \$17.46 | \$18.34 | \$19.25 | \$20.22 |
| Township | 15.75 | 16.54 | 21.04 | 22.09 | 23.19 | 26.19 | 27.50 | 28.88 | 30.32 |
| White Pine | 15.75 | 16.54 | 21.04 | 22.09 | 23.19 | 26.19 | 27.50 | 28.88 | 30.32 |



Appendix H:
Schedule of User Rates – Scenario Two

VILLAGE OF ONTONAGON
COUNTY OF ONTONAGON, STATE OF MICHIGAN

User Rates - Water - Scenario Two

| Base Charge | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 | 2033/34 | 2034/35 |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| All Customers | \$36.75 | \$38.59 | \$48.09 | \$50.49 | \$53.02 | \$60.52 | \$63.54 | \$66.72 | \$70.06 |

| Consumption Charge (per 1,000 gal.) | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 | 2033/34 | 2034/35 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Village | \$10.50 | \$11.03 | \$13.78 | \$14.46 | \$15.19 | \$17.19 | \$18.05 | \$18.95 | \$19.90 |
| Township | 15.75 | 16.54 | 20.66 | 21.70 | 22.78 | 25.78 | 27.07 | 28.42 | 29.84 |
| White Pine | 15.75 | 16.54 | 20.66 | 21.70 | 22.78 | 25.78 | 27.07 | 28.42 | 29.84 |